

**ANALYSIS OF RELATIONSHIP BETWEEN THE REAL ESTATE RETURNS ON
EQUITY MARKET RETURNS IN KENYA**

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ABSTRACT

This paper examines the relationship that exists between the real estate and the Equity markets in Kenya between the years of 2005 to 2010. This is achieved by conducting statistical tests such as a simple linear regression on the quarterly return data collected. In particular, the project attempted to investigate whether there is a correlation between the two markets and its direction and also to explore the potential diversification effects on creating a balanced portfolio including both real estate and stock assets. Relevant literature and quasi related literature was used during the study period. This was well documented and proper references done at the end of the study. The study utilized quantitative techniques; a simple regression analysis was used as a statistical tool for investigating the relationship between the two variables (Real estate market and the Equity market). The analysis used the real estate market as the dependent variables and the Equity market as the independent variable. The result from the test showed that there is a positive linear relation between the two markets. And when investing in Kenya's capital markets, diversification benefits could not be achieved by creating a balanced portfolio including both real estate and stock assets. This results were put in graphs and tables which were followed by write ups. Relevant recommendations and conclusion on the study are put after discussion on the findings.